TEKALA CORPORATION BERHAD
(Company No. 357125-D)

Wisma Tekala
Lot 2, Lorong Indah Jaya 29
Taman Indah Jaya
Jalan Lintas Selatan
90000 Sandakan, Sabah
T 6089 212177
F 6089 271628

www.tekala.com.my

TEKALA CORPORATION BERHAD (Company No. 357125-D)

ANNUAL REPORT 2012

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(Company No: 357125-D)

ANNUAL REPORT 2012

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SEVENTEENTH ANNUAL GENERAL MEETING of the Company will be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 28 September 2012 at 11.00 a.m to transact the following business:

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2012 and the reports of the Directors and Auditors thereon. **Resolution 1**

2. To re-elect the following Directors retiring in accordance with Article 103 of the Company's Articles of Association:-

   (a) Lim Ted Hing **Resolution 2**
   (b) Voon Sui Liong @ Paul Voon **Resolution 3**

3. To consider and, if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:-

   (a) "That Datuk Seri Panglima Quek Chiow Yong, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." **Resolution 4**

   (b) "That Mr Chan Saik Chuen, who retires in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." **Resolution 5**

4. To approve payment of Directors' fees of RM80,000 for the year ended 31 March 2012. **Resolution 6**

5. To re-appoint Auditors and authorise the Directors to fix their remuneration. **Resolution 7**

6. As Special Business, to consider and if thought fit, to pass the following resolutions:-

   (i) ORDINARY RESOLUTION **Resolution 8**

   Authority to issue shares pursuant to the Company's Employees' Share Option Scheme

   "THAT pursuant to the Company's Employees' Share Option Scheme ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 28 September 2011, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."

(ii) ORDINARY RESOLUTION **Resolution 9**

Proposed renewal of the authority for the purchase of own shares

THAT, subject to compliance with the Companies Act, 1965, the Articles of Association of the Company, regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad ("Bursa Malaysia") or any other regulatory authorities, approval be and is hereby given to the Company to utilize an amount not exceeding the total share premium and retained profits of the Company to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time on Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten (10) per centum of the issued and paid-up share capital of the Company for the time being. As at 31 March 2012, the audited share premium and retained profits accounts of the Company were RM16,548,724 and RM14,324,142 respectively;

AND THAT such authority shall commence upon the passing of this resolution and shall remain in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares or to distribute them as share dividend and/or subsequently cancel them;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

(iii) SPECIAL RESOLUTION **Resolution 10**

Proposed amendment to Article 80A of the Articles of Association of the Company

THAT the Article 80A of the Articles of Association of the Company be amended as follows:

Existing Article 80A

Where a member of a Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

New Article 80A

Where a member of the Company is an **exempt** authorised nominee, as defined under the Central Depositories Act **which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act, of which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint** in respect of each **omnibus** account it holds.

7. To transact any other business of an ordinary meeting of which due notice has been given.

BY ORDER OF THE BOARD

THIEN VUI HENG (MIA 5970)
CHUNG CHEN VUI (MIA 7384)
Company Secretaries

Sandakan, Sabah
6 September 2012

Notes :

a) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

b) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of some officer of the corporation duly authorised in that behalf.

c) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.

d) The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

e) Explanatory notes on Special Business:-

(i) Ordinary Resolution (Resolution 8)

The ordinary resolution if passed, will enable the Directors of the Company, from the date of the General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.

(ii) Ordinary Resolution (Resolution 9)

The ordinary resolution if passed, will empower the Directors of the Company to purchase the Company's shares up to ten (10) per centum of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the total share premium and retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the Proposed Share Buy-Back are set out in the Statement dated 6 September 2012 which is despatched together with the Company's 2012 Annual Report.

(iii) Special Resolution (Resolution 10)

The proposed amendments to the Articles of Association are to amend the Company's Articles of Association to be in line with the changes made to the Listing Requirements of Bursa Malaysia Securities Berhad.

BOARD OF DIRECTORS

Datuk Seri Panglima Quek Chiow Yong
Non-Independent Non-Executive Chairman

Chan Saik Chuen
Executive Vice-Chairman

Seah Tee Lean JP
Group Managing Director/ Chief Executive Officer

Lim Ted Hing
Executive Director/ Chief Operating Officer

Fong Kin Wui
Executive Director

Voon Sui Liong @ Paul Voon
Independent Non-Executive Director

Datuk Eric Usip Juin
Independent Non-Executive Director

Tan Kung Ming
Independent Non-Executive Director

COMPANY SECRETARIES

Thien Vui Heng (MIA 5970)
Chung Chen Vui (MIA 7384)

REGISTERED OFFICE

Wisma Tekala
Lot 2, Lorong Indah Jaya 29
Taman Indah Jaya
Jalan Lintas Selatan
90000 Sandakan, Sabah
Tel : 089-212177
Fax : 089-271628

REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-22643883
Fax : 03-22821886

SOLICITORS

Shearn Delamore & Co
Mazlan & Associates
Chin Lau Wong & Foo

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
Alliance Bank Malaysia Berhad
CIMB Bank Berhad
CIMB Bank (L) Limited
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Hong Leong Islamic Bank Berhad

STOCK EXCHANGE LISTING

Main Market of the
Bursa Malaysia Securities Berhad

GENERAL INFORMATION

The company is a public limited company, incorporated and domiciled in Malaysia.

All information provided in this Annual Report unless otherwise specified, had been made up to a date not earlier than six (6) weeks from the date of notice of the Annual General Meeting.

DIRECTORS' REMUNERATION

a) Details of the Directors' remuneration for the financial year ended 31 March 2012 are as follows:-

	Salaries/ Allowances	Bonus	EPF & Socso Contributions	Directors' Fees	Benefits in kind	Total
Executive Directors	2,409,000	844,000	290,115	40,000	105,376	3,688,491
Non-Executive Directors	652,500	151,000	18,915	40,000	20,106	882,521
Total	3,061,500	995,000	309,030	80,000	125,482	4,571,012

b) The directors whose remuneration falls in each successive band of RM50,000 are as follows:

(i) Executive Directors

Range of Remuneration RM	No of Directors
450,001 - 500,000	1
800,001 - 850,000	1
850,001 - 900,000	1
1,450,001 - 1,500,000	1
Total	4

(ii) Non-Executive Directors

Range of Remuneration RM	No of Directors
50,001 - 100,000	3
650,001 - 700,000	1
Total	4

NUMBER OF BOARD MEETINGS

During the financial year ended 31 March 2012, the Company held five (5) Board meetings.

CORPORATE PROPOSAL

There are no corporate proposals outstanding as at the date of the 2012 Annual Report.

SHARE BUY-BACKS

During the financial year ended 31 March 2012, the Company bought-back a total of 837,000 of its own shares for a total consideration of RM456,315.00 and retained them as treasury shares. Details of the shares purchased are as follows:

Month	No of ordinary shares of RM1.00 each	Lowest Purchase Price Per Share (RM)	Highest Purchase Price Per Share (RM)	Average Purchase Price Per Share (RM)	Total Consideration (RM)
April 2011	-	-	-	-	-
May 2011	-	-	-	-	-
June 2011	303,000	0.600	0.680	0.616	186,670.00
July 2011	9,000	0.585	0.585	0.585	5,265.00
August 2011	18,000	0.550	0.550	0.550	9,900.00
September 2011	18,000	0.530	0.540	0.533	9,590.00
October 2011	-	-	-	-	-
November 2011	69,000	0.490	0.530	0.523	36,080.00
December 2011	149,000	0.500	0.520	0.504	75,050.00
January 2012	271,000	0.490	0.500	0.494	133,760.00
February 2012	-	-	-	-	-
March 2012	-	-	-	-	-

There were no resale of treasury shares or shares cancelled during the financial year under review.

OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities exercised in respect of the financial year under review.

During the financial year under review, no options were offered to and/or granted pursuant to the new Employees' Share Option Scheme of the Company which was implemented on 14 February 2012.

DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme.

SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the external auditors and its affiliated company was RM14,350.00.

VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not issue any profit estimate, forecast or projections for the financial year.

PROFIT GUARANTEE

There was no profit guarantee to be received by the Company for the financial year ended 31 March 2012.

MATERIAL CONTRACTS

There are no material contracts of the company and its subsidiaries involving directors and major shareholders' interests for the financial year under review other than the related party transactions as disclosed in note 31 to the financial statements.

LANDED PROPERTIES

The landed properties of the Group are stated at cost less accumulated depreciation and less any impairment losses as disclosed in note 2.7 to the financial statements.

INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to independent auditors, KPMG and the costs incurred for the internal audit function in respect of the financial year under review amounted to RM68,964.00.

The activities of the internal audit function are as disclosed in the audit committee report.

CORPORATE SOCIAL RESPONSIBILITY

The Group acknowledges that Corporate Social Responsibility ("CSR") goes beyond sponsorship and philanthropic activities. It endeavours to entrench CSR in its business operations based on ethical values and respect for the environment, community, marketplace and employees' welfare.

Environmental Responsibility

The Group sources its logs from sustainable sources, in line with the Government's efforts to manage its forest resources so as to ensure sustainability. Investments in technologies that are environmentally friendly, such as its steam turbine power plant utilising wood waste and sawdust has allowed the Group to generate energy for its plywood mill.

Community Services

The Group supports benevolent and charitable causes on an ad hoc basis through monetary assistance and sponsorship to promote community activities.

Marketplace

The Group believes that with sound business practices and effective management, shareholders' value will be enhanced. It takes pride in the production of plywood that meets the Japan Agriculture Standard's strict certification criteria. The Standard ensures plywood produced is of quality, low odour emission and environmentally safe for the end users in Japan.

The Group has invested into the oil and gas service sector to diversify its earnings.

Employees' Welfare

The Group believes that employees are one of its most important assets. In line with this belief, the Group is constantly creating and maintaining a working environment where employees who perform well are recognised, rewarded and promoted accordingly.

In addition to the above, at the plywood mill, the Group is committed to maintaining a high safety and health standard by cultivating safe working practices through in-house as well as external trainings.

The Group believes that proper human capital development will produce effective performance and high commitment in all level of employees.

The Malaysian Code on Corporate Governance

The Board of Directors ("Board") supports the Malaysian Code on Corporate Governance ("Code") and is committed to ensuring that good corporate governance is practised throughout the Group in enhancing shareholders' value and the financial performance of the Group.

The Board acknowledges its responsibility for compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”) and all other statutory requirements.

Below is a description of how the Group has applied the principles set out in the Code and its compliance with the best practices of the Code for the year ended 31 March 2012.

A. Directors

I The Board

The Board plays a primary role in the conduct and control of the Group's business affairs. The Board currently consists of 8 members namely a Non-independent Non-executive Chairman, an Executive Vice-Chairman, a Chief Executive Officer, an Executive Director, a Chief Operating Officer and 3 Independent Non-executive Directors. The Directors have diverse skills and a wide range of relevant business, commercial and financial experience. The profile of the Directors is presented on pages 16 to 18 of the Annual Report.

The Board meets on a quarterly basis to deliberate and consider among others, the Group's quarterly reports and convene additional meetings as necessary. The Directors exercise independent judgement when deliberating matters concerning the Group including strategy, operations, performance, financial and resources.

Prior to each Board Meeting, the Board members are provided with the Agenda of the Board Meeting and the relevant documents and information. This is to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and to enable them to arrive at an informed decision.

There is a schedule of matters reserved specifically for the Board's consideration and decision, including the approval of corporate plans, acquisition and disposal of major assets, major investments, changes to the management and control structure of the Group and issues in respect of key policies, procedures and authority limits.

Where a potential conflict of interest may arise, it is mandatory practice for the director concerned to declare his interest and abstain from the decision making process.

The Board delegates certain responsibilities to the Board Committees in order to enhance business and operational efficiency as well as efficacy. All Committees have their written terms of reference. All minutes of their proceedings and deliberations at the Committee meetings are tabled at the subsequent Board meetings and are duly noted and acted on where deemed necessary by the Board.

To date, the Board has set up five committees namely Audit Committee, Remuneration Committee, Nominating Committee, Share Option Committee and Executive Committee.

AUDIT COMMITTEE

The Committee has been appointed to assist the Board in discharging its oversight functions and to comply with the Listing Requirements.

The membership and functions of the Committee including its terms of references are as disclosed in the Audit Committee report on pages 24 to 27 of the annual report.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Non-Executive Directors of the Company as follows:-

- Datuk Seri Panglima Quek Chiow Yong (Chairman)
- Voon Sui Liong @ Paul Voon
- Datuk Eric Usip Juin
- Tan Kung Ming

A. Directors (cont'd)

I The Board (cont'd)

REMUNERATION COMMITTEE (cont'd)

The Committee is responsible to draw up and recommend to the Board for its consideration and implementation, the policy framework on all elements of Directors' remuneration including fringe benefits.

The Committee reviews the annual remuneration packages of the Directors and makes appropriate recommendations to the Board for its consideration.

NOMINATING COMMITTEE

The Nominating Committee consists of Non-Executive Directors of the Company as follows:-

- Datuk Seri Panglima Quek Chiow Yong (Chairman)
- Voon Sui Liong @ Paul Voon
- Datuk Eric Usip Juin
- Tan Kung Ming

The Committee is responsible for proposing new nominees for the Board and for assessing directors on an on-going basis and report back recommendations to the Board for its consideration and implementation.

The Committee recommends to the Board, Directors to fill seats on Board committees and provides orientation and education program for new Board members.

ESOS OPTION COMMITTEE

The Committee consists of five (5) members as follows:-

Directors of the Company
- Voon Sui Liong @ Paul Voon (Chairman)
- Seah Tee Lean JP
- Lim Ted Hing

Directors of Subsidiaries
- Quek Siew Hau
- Seah Sen Onn

The Company's Employees Share Option Scheme ("ESOS") approved by the shareholders at the Extraordinary General Meeting held on 28 September 2011 was implemented on 14 February 2012 for a period of 5 years, expiring on 13 February 2017.

EXECUTIVE COMMITTEE

The Executive Committee of Directors (Exco) consists of four (4) directors of the Company and three (3) directors of its subsidiaries as follows:

Directors of the Company
- Chan Saik Chuen (Chairman)
- Seah Tee Lean JP
- Fong Kin Wui
- Lim Ted Hing

Directors of Subsidiaries
- Fong Tham Yu
- Quek Siew Hau
- Seah Sen Onn

A. Directors (cont'd)

I The Board (cont'd)

EXECUTIVE COMMITTEE

The Exco undertakes tasks assigned to it by the Board of Directors.

The Exco is vested with powers and authorities in respect of the management, control, and direction of the Company as approved by the Board of Directors save for the schedule of matters reserved specifically for the Board's consideration and decision.

II Board Balance

The Chairman of the Board provides overall leadership to the Board in decision making without limiting the principle of collective responsibility for the Board decisions.

The Directors are responsible for the Group's operations and the role of the independent non-executive Directors is important to the Group in ensuring that strategies proposed by the executive Directors are deliberated, and take into account the interests of the shareholders, employees, customers, suppliers, and other stakeholders before they are implemented.

The Board is of the opinion that the current Board balance of eight (8) directors (comprising four (4) Non-executive Directors and four (4) Executive Directors) is suitable for the Group. The Board will continue to regularly review the size and composition of the Board in order for the Board to function effectively. The Board is satisfied that the present three (3) independent directors fulfils the Listing Requirements and is sufficient to fairly reflect the investment of the minority shareholders. The Board has identified Mr Voon Sui Liong @ Paul Voon to be the senior independent non-executive director of the Company to whom the concerns of shareholders/investors may be conveyed.

III Supply of Information

In carrying out their duties, the Directors have complete access to all staff for information both financial and non-financial pertaining to the Group's affairs. The Directors also have full access to the advice and services of the Company Secretaries. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.

IV Appointments to the Board

The Nominating Committee comprises non-executive directors, majority of whom are independent. The Committee is responsible for proposing new nominees for the board and for assessing the effectiveness of the Board and the contributions of each director towards the effectiveness of the decision-making process of the Board.

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board of Directors with due consideration given to the mix, expertise and experience required for an effective Board. Any proposal to appoint new directors will be discussed among the Board members and appointment to the Board will be clearly documented in the Board resolutions.

V Re-election

The Articles of Association of the Company requires that all directors shall be subject to election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the directors, be subject to re-election thereafter by rotation once at least in each three (3) years at the Annual General Meeting.

A. Directors (cont'd)

VI Directors' Training

As an integral process of appointing new directors, new Board members are provided orientation and education to familiarise them with nature of the Group's businesses, current issues and the responsibilities of directors.

All present directors have attended the Mandatory Accreditation Programme (MAP) and Continuing Education Programme (CEP) as prescribed by the Listing Requirements. Given that the CEP requirements have been varied from year 2005 onwards, the Board of Directors in determining the training needs has adopted a policy that each director should attend such training which will aid them in the discharge of their duties and to accumulate no lesser than 48 points in a financial year ("the Minimum CEP points"). Each hour of training session attended shall be awarded 2 CEP points. Each director is allowed to have any excess CEP point carried forward to the next financial year provided that the number of points carried forward shall not exceed 24 CEP points. Should any Director not meet the minimum CEP points in a financial year, the Board may grant such extension of time as required for him to meet it.

The Board evaluates and determines the training needs of the Directors to aid them in the discharge of their duties as Directors. The training is designed to cover, among others, updates/amendments on the Listing Requirements and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities including relevant business opportunities.

The details of the training programmes attended by the Directors during the financial year ended 31 March 2012 are as follows:-

DATUK SERI PANGLIMA QUEK CHIOW YONG

· Seminar on Sustainable Forest Management	26 July 2011
· The Boards Role in Corporate Strategy	4 October 2011

CHAN SAIK CHUEN

· Seminar on Sustainable Forest Management	26 July 2011
· The Boards Role in Corporate Strategy	4 October 2011

SEAH TEE LEAN JP

· Seminar on Sustainable Forest Management	26 July 2011

LIM TED HING

· Seminar on Sustainable Forest Management	26 July 2011

FONG KIN WUI

· Seminar on Sustainable Forest Management	26 July 2011

VOON SUI LIONG @ PAUL VOON

· Seminar on Sustainable Forest Management	26 July 2011
· The Boards Role in Corporate Strategy	4 October 2011

DATUK ERIC USIP JUIN

· Seminar on Sustainable Forest Management	26 July 2011
· The Boards Role in Corporate Strategy	4 October 2011

TAN KUNG MING

· Seminar on Sustainable Forest Management	26 July 2011
· Transactions by Directors & Practical Issues and Solutions	30 September 2011
· The Boards Role in Corporate Strategy	4 October 2011
· Mastering Recent Tax Cases - Insights to Tax Litigation & Controversies	20 February 2012

A. Directors (cont'd)

VI Directors' Training (cont'd)

During the financial year under review, Mr Tan Kung Ming has fulfilled his required CEP points sets by the Company while the other seven directors, namely Datuk Seri Panglima Quek Chiow Yong, Mr Chan Saik Chuen, Mr Seah Tee Lean JP, Mr Lim Ted Hing, Mr Fong Kin Wui, Mr Voon Sui Liong @ Paul Voon and Datuk Eric Usip Juin have been granted extension of time to fulfil their shortfall in CEP points in the coming financial year.

B. Directors' Remuneration

I The Level and Make-up of Remuneration

The level of remuneration for a Director is determined with a view to ensure experienced and capable Directors are attracted and retained to run the Group. There are no attendance fee for both executive and non-executive directors as attendance are expected of the directors in the discharge of their duties as Directors. For Executive Directors, they are appropriately rewarded. For non-executive Directors, the level of remuneration will commensurate with the responsibilities undertaken by them.

II Procedure

The Remuneration Committee consists of non-executive directors. The Committee is responsible for drawing up the policy framework on all elements of remuneration such as reward structure, fringe benefits and other terms of employment of Executive Directors.

Directors' remuneration packages are determined by the Board as a whole. The Directors whose remuneration packages are being deliberated have the right to be heard during the deliberation but are not allowed to participate in decisions on their own remuneration packages. The Group reimburses expenses incurred by the Directors in the course of their duties as directors.

III Disclosure

The details of the Directors' remuneration for the financial year under review are disclosed on page 6 of the Annual Report.

The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the band disclosure made.

C. Shareholders

I Shareholders' Communication

The Group recognises the importance of accountability to its shareholders, stakeholders and investors through proper, timely and adequate dissemination of information on the Group's performance and other developments via appropriate channels of communication including information posted on its website, www.tekala.com.my. The annual reports, the interim results announcements and other announcements and the circulars to shareholders are the primary modes of communication to report the Group's business, results and other major developments to its shareholders, stakeholders and investors.

In addition, the Group values dialogue with its shareholders and investors as a means of effective communication that enables the Board and management to convey information about Group's performance, corporate strategy and other matters affecting shareholders' interests.

However, price-sensitive and any information that may be regarded as undisclosed material information about the Group is not disclosed until after the prescribed announcement to Bursa Malaysia Securities Berhad has been made.

C. Shareholders (cont'd)

II The Annual General Meeting

The Annual General Meeting serves as a principal forum for dialogue with shareholders.

At the Annual General Meeting, the shareholders are accorded the opportunity to raise questions on the agenda items of the general meeting. Directors and Senior Management Officers would provide answers and appropriate clarifications to issues raised.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate understanding and evaluation of issues involved.

D. Accountability and Audit

I Financial Reporting

In presenting the annual financial statements and quarterly announcements, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in reviewing information to ensure its accuracy and adequacy. The Statement of Directors' Responsibilities pursuant to Paragraph 15.26(a) of the Listing Requirements is set out on page 22 of the annual report.

In addition, Directors are furnished with management accounts to enable them to review the Group prospect, performance and financial position.

II Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to meet the Group's needs and to manage the risks to which it is exposed. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatements or losses.

The statement of internal control by Directors pursuant to Paragraph 15.26(b) of the Listing Requirements is set out on page 23 of the annual report.

III Risk Management

Resources, be they physical, financial and human resources, will be applied to ensure our standards of product/services achieve and exceed expectations.

It is the Group's policy that in order to achieve the economic expectations of our shareholders, it would pursue business opportunities/activities involving certain degree of risk. Due consideration would be given to the balance of risks and rewards, as far as practicable, to optimize the rewards from the Group's business activities.

IV Relationship with the Auditors

The Group's external auditors shall report independently to the shareholders of the company in accordance with the statutory requirements. The Group and the Directors shall provide full assistance to the external auditors so as to enable them to discharge their duties accordingly.

The external auditors shall meet with the internal auditors as and when deemed necessary, without the presence of the management.

The role of the Audit Committee in relation to the external auditors is set out in the terms of reference of the Audit Committee on pages 24 to 27 of the annual report.

DIRECTORS' PROFILE

Datuk Seri Panglima
Quek Chiow Yong

A Malaysian aged 81, is the Non-Independent Non-Executive Chairman of the Company and was appointed to the Board on 22 June 1996. He is one of the founder members of the Group. He is the Chairman of Syarikat Kretam (Far East) Holdings Sdn Bhd group of companies and also the Chairman of the Board of several private companies. He was the Chairman of the Timber Association of Sabah from 1985 to 1988. With his experience in the timber industry, he contributes to the direction and pace of the Group. He is the Chairman of the Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Chan Saik Chuen

A Malaysian aged 81, is the Executive Vice-Chairman of the Company and was appointed to the Board on 22 June 1996. He is one of the founder members of the Group and has been involved in the timber industry since the 1960's. He oversees the operations of the Group and provides the Group with information on the various logistics and operational methods. He is the Chairman of the Executive Committee of the Board. He sits on the Board of a number of private companies. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Seah Tee Lean JP

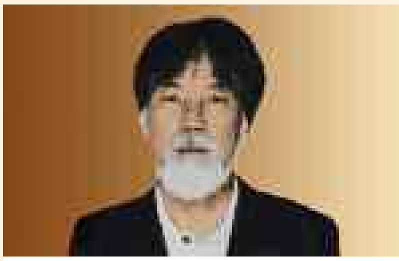
A Malaysian aged 74, is the Group Managing Director/Chief Executive Officer of the Company and was appointed to the Board on 22 June 1996. He has been involved in the timber industry for more than thirty years. With his extensive experience and knowledge, he is at the helm in all aspects of the Group's business. He is constantly in touch with the developments in the timber industry with his involvement as a member of the Governing Council of the Timber Association of Sabah. He also possesses extensive experience and knowledge in the plantation business. He is a member of the ESOS Option Committee and Executive Committee of the Board. He is the Managing Director of Syarikat Kretam (Far East) Holdings Sdn Bhd Group of Companies. He has no directorships in other public companies. As at 3 August 2012, his direct and indirect shareholding in the Company were 4,285,140 and 4,378,944 ordinary shares of RM1 each respectively. His deemed interest for shares held by spouse and children was 1,980,900 ordinary shares of RM1 each. He had attended four Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Lim Ted Hing

Aged 57, a Malaysian and a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He is the Executive Director/Chief Operating Officer of the Company and was appointed to the Board on 22 June 1996. He joined Ernst & Young, a public accounting firm in 1985 and was the Senior Manager in charge of its Sandakan Office before leaving to join the Group as Group Financial Controller in July 1994. He was later appointed as Executive Director/Chief Operating Officer in June 1996. He is a member of the ESOS Option Committee and Executive Committee of the Board. He is currently a Director of NPC Resources Berhad and several other private companies. He had attended all five Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Fong Kin Wui

Aged 52, a Malaysian with a Bachelor of Science (Hons) in Civil Engineering from Plymonth Polytechnic, United Kingdom which he obtained in 1983. He is an Executive Director of the Company and was appointed to the Board on 22 June 1996. He has extensive experience and knowledge in the construction industry and plantation business. He is a member of the Executive Committee of the Board. He currently sits on the Board of several companies. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.



Voon Sui Liong @ Paul Voon

Aged 61, a Malaysian businessman domiciled in Sabah. A graduate from the University of Ottawa, Canada in Bachelor of Commerce (Hons). He is an Independent Non-Executive Director of the Company and was appointed to the Board on 15 December 1998. He was the majority shareholder and the Managing Director of Nountun Press (S) Sdn Bhd, and the publisher of the "Borneo Mail", a daily newspaper for 10 years (1988-1998). He was also the Managing Director of Borneo Golf Resort Berhad from 1993 to 1996. He was appointed as a Board Member of Sabah Tourism Board from 1998 to 2009. He is the Chairman of the Audit Committee, ESOS Option Committee and a member of the Remuneration Committee and Nominating Committee of the Board. He has no directorships in other public companies. He had attended all five Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Datuk Eric Usip Juin

Aged 59, a Malaysian with a Master of Science (Forestry) majoring in Watershed Management from Stephen F. Austin State University, Nacogdoches, East Texas, USA which he obtained in 1991 and a Bachelor of Science (Forestry) from Universiti Putra Malaysia obtained in 1979. He is an Independent Non-Executive Director and was appointed to the Board on 1 November 2008. He was the Director of Environment Protection Department in the Ministry of Tourism, Culture and Environment, Sabah from August 1998 prior to his retirement on 9 October 2008 where he was responsible for the management of the Environment Protection Department and enforcement of the State Environment Protection Enactment 2002. He was also the Secretary of the Environmental Protection Council Sabah, a member of the Environmental Quality Council Malaysia and the Environmental Action Committee Management Group (EAC) from August 1998 to October 2008 and Deputy President of the Sabah Wetlands Conservation Society, Sabah from March 2006 to March 2007. Prior to that, he was with the Forestry Department for about 28 years from March 1970 to July 1998 in various departments, capacities and job responsibilities, the last of which from April 1994 to July 1998 where he was the Head of Planning Division, responsible for planning and monitoring of forest development projects including dealing with national and international forestry issues. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He has no directorship in other public companies. He had attended four Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

Tan Kung Ming

Aged 41, a Malaysian and a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. He is an Independent Non-Executive Director of the Company and was appointed to the Board on 1 November 2008. He has 5 years audit experience with KPMG, a public accounting firm from 1991 to 1996 prior to joining Zung Zang Holdings Sdn Bhd's Group of Companies as Finance Manager. He was the Accountant with Priceworth Wood Products Berhad from 2001 to 2003 before commencing his own public accounting practice in 2003 under the name of TKM & Co. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Board. He is currently a director of Kretam Holdings Berhad. He had attended all five Board Meetings held during the financial year ended 31 March 2012. He has no family relationship with any director and/or major shareholder of the Company. He has not entered into any transaction which has a conflict of interest with the Company. He has no convictions for offences within the past 10 years.

CORPORATE STRUCTURE

TEKALA CORPORATION BERHAD
(Company No: 357125-D)

- 100% **Kalabakan Plywood Sdn Bhd**
  - 100% **Kalabakan Wood Products Sdn Bhd**
  - 100% **Korsa Plywood Sdn Bhd**
- 100% **Gerak Armada Sdn Bhd**
  - 100% **Offshore Constructor (Labuan) Ltd**
  - 25% **Offshoreworks Holdings Sdn Bhd**
- 100% **Syarikat Tekala Sdn Bhd**
- 100% **Marimba Sdn Bhd**
  - 100% **Hartawan Ekuiti Sdn Bhd**

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF TEKALA CORPORATION BERHAD, I WOULD LIKE TO PRESENT THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF TEKALA CORPORATION BERHAD GROUP OF COMPANIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012.

FINANCIAL RESULTS

The financial year under review was a challenging year for the Group as it incurred a pre-tax loss of RM58.55 million as compared to a pre-tax loss of RM46.65 million for the previous year. The higher loss was mainly due to the impairment losses of vessel and receivables of RM67.44 million in the oil and gas division as compared to share of loss of the associate of RM59.41 million in 2011 from the associate, Offshoreworks Holdings Sdn Bhd.

The Group's turnover deceased to RM105.95 million for the financial year under review as compared to RM130.94 million for the previous year, comprising revenue from timber processing of RM83.77 million (2011: RM108.07 million) and vessel chartering of RM22.18 million (2011: RM22.87 million).

PROSPECTS

In view of the global economic uncertainties and consumers' sentiments, the demand for timber and processed wood products may fail to improve in this coming financial year.

Nevertheless, the Group would continue to focus on operational efficiency, promotion and marketing of high quality eco-floorbase plywood including FSC and PEFC certified plywood for its Japanese market.

The Group is facing tight liquidity as the vessel of the subsidiary, Offshore Constructor (Labuan) Ltd ("OCL"), presently chartered out is yet to generate sufficient cashflows to service its quarterly loan instalments. To mitigate the situation, various efforts are being pursued to enable OCL to meet its outstanding loan obligations.

Further, the Directors also hope efforts by its associate, Offshoreworks Holdings Sdn Bhd would be successful in carrying out its proposed financial restructuring under Section 176 of the Companies Act, 1965.

Barring any unforeseen circumstances and with the successful implementation of the Group's strategies, the Directors are cautiously optimistic that the Group's performance for the coming financial year will stabilize.

DIVIDENDS

In view of the losses sustained by the Group, the Board of Directors have not recommended any dividend to be paid in respect of the financial year ended 31 March 2012 at the forthcoming Annual General Meeting of the Company.

DIRECTORATE

The Board wishes to record its appreciation to Mr Seah Tee Lean JP for his long service to the Company as he has informed that he does not wish to seek re-appointment as a director of the Company in accordance with Section 129 of the Companies Act, 1965 at the forthcoming annual general meeting of the Company scheduled on 28 September 2012.

APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to our customers, suppliers, bankers, business associates, relevant government authorities and shareholders for their continued support and co-operation.

I would also like to convey my appreciation to the Management and staff of the Group for their efforts and contributions.

DATUK SERI PANGLIMA QUEK CHIOW YONG
CHAIRMAN

Sandakan
3 August 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to Paragraph 15.26 (a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended and lay them before the General Meeting together with a copy of the auditors' report thereon. The financial statements should be made up to a date not more than six months before the date of the meeting.

In preparing the financial statements, the Directors have:

* adopted suitable accounting policies and apply them consistently unless a change is required by statute or by an approved accounting standard or if the change will result in a more appropriate presentation of events or transactions in the financial statements;

* exercised judgement and made estimates that are prudent and reasonable;

* ensured applicable approved accounting standards have been followed and material departures, if any, have been disclosed and explained in the financial statements; and

* prepared the financial statements on the going concern basis unless it is inappropriate to assume that the Group and the Company will continue in business in the foreseeable future.

The Directors are also responsible for ensuring that proper accounting and other records are kept as will sufficiently explain the transactions and financial position of the Group and of the Company and enable true and fair financial statements be prepared which comply with approved accounting standards and the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

STATEMENT OF INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

The Directors acknowledge that they are responsible for the Group's system of internal control and ensuring its adequacy and integrity. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance against material misstatements or losses.

A sound system of internal control provides reasonable, but not absolute, assurance that a Group will not be hindered in achieving its business objectives or the orderly conduct of its business. A system of internal control cannot, however, provide protection with certainty against a Group failing to meet its business objectives or all material errors, losses, fraud, or breaches of laws or regulations as a sound system of internal control reduces, but cannot eliminate the possibility of poor judgement in decision-making; human errors; control processes being circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances.

The Group operates within a control environment and framework developed and refined over the years. The Management is responsible for the identification and evaluation of significant risks and to formulate the design and operation of appropriate internal controls for its businesses. Risk assessment for the Group is carried out on a regular basis. Comprehensive reports on the Group's financial information and performance are also presented to the Directors on a regular basis.

The Audit Committee, comprising three independent non-executive Directors, operates under written terms of reference. Its functions include discussing and reviewing with the external auditors their audit findings, their evaluation of the Group's system of internal control, the adequacy of the scope and functions of the internal audit functions and the detailed review of the quarterly reports prior to its recommendation to the Directors for consideration and approval.

For the financial year under review, the Audit Committee reviewed, amongst others, the external and internal audit work carried out to assess the effectiveness, adequacy and integrity of the Group's system of internal control to ensure compliance with the systems and standard operating procedures of the Group, the process of identifying and evaluating significant risks affecting the Group's business and the policies and procedures by which risks are managed. The results of their review were satisfactory.

The Directors have evaluated and reviewed the Group's major business risks and its control environment. Controls in operation are appropriate and adequate. Accordingly, the Directors are satisfied that the Group has a sound system of internal control for the financial year under review.

AUDIT COMMITTEE REPORT

The Directors are pleased to present the Audit Committee Report of the Company in respect of the financial year ended 31 March 2012 ("year under review").

(A) COMPOSITION

The members of the Audit Committee are as follows:

CHAIRMAN		**No of meetings attended during the year under review**
Voon Sui Liong @ Paul Voon	Independent Non-Executive Director	5 of 5
COMMITTEE MEMBERS		
Datuk Eric Usip Juin	Independent Non-Executive Director	4 of 5
Tan Kung Ming (MIA 21364)	Independent Non-Executive Director	5 of 5

(B) MEETINGS

The audit committee held five meetings in respect of the financial year under review.

(C) ACTIVITIES

The activities of the Audit Committee in the discharge of its functions and duties in respect of the financial year under review included the review of the work carried out by the internal auditors, review of the quarterly reports prior to submission to the Board for consideration and approval, review with the external auditors their accounting and audit issues arising from their audit, review of the draft audited accounts and related party transactions before consideration and approval by the Board. The Audit Committee also discussed and recommended the re-appointment of Auditors and their fees.

The new Employees' share option scheme of the Company was implemented on 14 February 2012. The Audit Committee verified that no options were granted during the financial year under review.

(D) INTERNAL AUDIT FUNCTION

The Internal Audit function of the Company, established in June 2002, is independent of the activities it audits and reports directly to the Audit Committee. Its responsibilities are, amongst others, to assist the Audit Committee in providing independent assessments of the adequacy, efficiency and effectiveness of the internal control systems to ensure compliance with the systems and standard operating procedures in the Group and to carry other tasks as specified by the Audit Committee.

The main activities undertaken by the internal auditors during the year under review are:-

- Audit of functional areas of the Group's plymill operations such as Purchasing & Payable (Logs and consumables), Cash & Bank, Factory Payroll, Sales & Receivable and Property Plant & Equipment in accordance with its risk assessment; and

- Audit of the operations of the associate company, Offshoreworks Holdings Sdn Bhd and its group of companies.

(E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Audit Committee are as follows:

CONSTITUTION

1. A committee of the Board known as the Audit Committee is hereby established in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

MEMBERSHIP

2. The committee shall consist of not less than three members, all must be non-executive directors, of which the majority shall be made up of Independent Non-Executive Directors with at least one member of the Audit Committee who must be a member of the Malaysian Institute of Accountants (MIA).

   No member of the Committee shall be

   - a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or

   - spouse of brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or

   - any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee.

3. The members of the Audit Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director.

4. If a member of the Committee resigns, dies, or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

5. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

RIGHTS

6. In accordance with procedures to be determined by the Board and at the cost of the Company, the Audit Committee shall

   (a) have authority to investigate any matter within its terms of reference;
   (b) have the resources which are required to perform its duties;
   (c) have full and unrestricted access to any information pertaining to the Company;
   (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
   (e) be able to obtain independent professional or other advice; and
   (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD

7. Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

(E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

FUNCTIONS

8. The Audit Committee shall, amongst others, discharge the following functions:-

   (1) review the following and report the same to the Board:-

      (a) with the external auditors, the audit plan;
      (b) with the external auditors, his evaluation of the system of internal controls;
      (c) with the external auditors, his audit report;
      (d) the assistance given by the employees of the Company to the external auditors;
      (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
      (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
      (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-

         (i) charges in or implementation of major accounting policy changes;
         (ii) significant and unusual events; and
         (iii) compliance with accounting standards and other legal requirements;

      (h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
      (i) any letter of resignation from the external auditors of the Company; and
      (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

   (2) recommend the nomination of a person or persons as external auditors.

ATTENDANCE AT MEETINGS

9. The quorum for meetings of the Audit Committee shall be at least two where the majority of members present must be Independent Non-Executive Directors.

10. Other Board members and employees shall attend Audit Committee meetings only at the invitation of the Committee. However, at least once a year, the Committee shall meet with the external auditors.

11. The Company Secretaries shall be the Secretaries of the Committee.

PROCEEDINGS AT MEETINGS

12. If at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting, or is unwilling to act, the Members present may choose one of their members who is an Independent Non-Executive Director to be Chairman of the meeting.

13. Save as is otherwise provided, the Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit. Questions arising at any meeting shall be agreed to by all the members present at the meeting. In the event of there being no unanimous decision, the matter concerned shall be referred to the Board of Directors.

14. A resolution signed by all members of the Audit Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in the same form and each signed by one or more members of the Audit Committee.

(E) TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

FREQUENCY OF MEETINGS

15. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

REPORTING PROCEDURES

16. The Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.

SHAREHOLDING STATISTICS

As at 3 August 2012

Authorised Share Capital	:	500,000,000
Paid-Up & Issued Share Capital	:	152,983,300
Treasury Shares	:	13,008,000
Adjusted capital (after netting Treasury Shares)	:	139,975,300
Type of Share	:	Ordinary share of RM1.00 each
No of Shareholders	:	9,583
Voting Rights	:	1 vote per shareholder on a show of hands 1 vote per ordinary share on a poll

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No of Holders	Total Holdings#	Percentage#
1 to 99	11	192	0.00
100 to 1,000	4,198	4,165,581	2.97
1,001 to 10,000	4,460	17,969,227	12.84
10,001 to 100,000	825	22,424,773	16.02
100,001 to 6,998,764*	87	77,415,106	55.31
6,998,765 and above**	2	18,000,421	12.86
TOTAL	**9,583**	**139,975,300**	**100.00**

Notes:-

**	Less than 5% of Issued Holdings*

***	5% and above of Issued Holdings*

*#	Excluding a total of 13,008,000 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 3 August 2012*

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

[based on notifications in writing received by the Company on or before 3 August 2012]

		Ordinary Shares of RM1 each			
No	**Name of Substantial Shareholder**	**Direct Interest**	**%**	**Indirect interest**	**%**
1	Chan Saik Chuen	-	-	9,506,997[1]	6.79
2	Chan Saik Chuen Sdn Bhd	9,506,997	6.79	-	-
3	Datuk Seri Panglima Quek Chiow Yong	-	-	8,493,424[2]	6.07
4	Quek Chiow Yong Holdings Sdn Bhd	8,493,424	6.07	-	-
5	Seah Tee Lean	4,285,140	3.06	4,378,944[3]	3.13

Notes:-

*1	Deemed interested through Chan Saik Chuen Sdn Bhd.*

*2	Deemed interested through Quek Chiow Yong Holdings Sdn Bhd.*

*3	Deemed interested through S T L Holdings Sdn Bhd.*

DIRECTORS' INTERESTS

According to Register maintained under Section 134 of the Companies Act, 1965, the directors' interests in shares of the Company or in a related corporation are as follows:-

Name of Directors	Ordinary Shares of RM1 each in the Company Direct interest	%	Indirect interest	%
Datuk Seri Panglima Quek Chiow Yong	-	-	8,493,424[1]	6.07
			419,489[2]	0.30
Chan Saik Chuen	-	-	9,506,997[3]	6.79
			38,500[2]	0.03
Seah Tee Lean	4,285,140	3.06	4,378,944[4]	3.13
			1,980,900[2]	1.42
Lim Ted Hing	1,711,100[5]	1.22	-	-
Fong Kin Wui	1,695,794[6]	1.21	969,574[7]	0.69

The Directors by virtue of their interest in shares in the Company are also deemed to have interest in shares in all of its related corporations to the extent the Company has an interest.

Notes:-

1 *Deemed interested through Quek Chiow Yong Holdings Sdn Bhd.*

2 *Deemed interested for shares held by spouse and/or children.*

3 *Deemed interested through Chan Saik Chuen Sdn Bhd.*

4 *Deemed interested through S T L Holdings Sdn Bhd.*

5 *Held directly and also via CIMSEC Nominees (Tempatan) Sdn Bhd-CIMB Bank.*

6 *Held directly and also via Maybank Nominees (Tempatan) Sdn Bhd–Amanahraya Investment Management Sdn Bhd.*

7 *Deemed interested through Fong Tham Hing Enterprise Sdn Bhd.*

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name	No. of Shares Held #	% #
1.	CHAN SAIK CHUEN SDN BHD	9,506,997	6.79
2.	QUEK CHIOW YONG HOLDINGS SDN BHD	8,493,424	6.07
3.	HSBC NONIMEES (ASING) SDN BHD *Exempt An For BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)*	5,220,000	3.73
4.	TAN TONG CHEW	5,058,829	3.61
5.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *Exempt An for EFG Bank Ag (A/C Client)*	4,869,929	3.48
6.	PERMODALAN NASIONAL BERHAD	4,421,000	3.16
7.	Q C M SDN BHD	4,407,075	3.15
8.	S T L HOLDINGS SDN BHD	4,378,944	3.13
9.	SEAH TEE LEAN	4,285,140	3.06
10.	KWAN PUN CHO	3,453,384	2.47
11.	MALAYSIA NOMINEES (TEMPATAN) SDN BHD *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	3,198,500	2.29
12.	KWAN CHEE HANG SDN BHD	2,481,729	1.77
13.	T Y FONG SDN BHD	2,478,373	1.77
14.	YEOH KEAN HUA	2,282,100	1.63
15.	SEAH TEE SUI SDN BHD	1,923,057	1.37
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *C C Ho Sdn Bhd (T- 071001)*	1,854,284	1.32
17.	CITIGROUP NOMINESS (TEMPATAN) SDN BHD *Pledged securities account for Kwan Hung Cheong (473937)*	1,768,000	1.26
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *Amanahraya Investment Management Sdn Bhd For Fong Kin Wui (C346-240450)*	1,395,794	1.00
19.	SEAH SEN ONN @ DAVID SEAH	1,200,000	0.86
20.	HDM NOMINEES (ASING) SDN BHD *DBS Vickers SECS (S) Pte Ltd for River Estates Incorporated*	1,140,000	0.81
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB Bank for Lim Ted Hing (MY0410)*	1,100,000	0.79
22.	FONG THAM YU	998,000	0.71
23.	FONG THAM HING ENTERPRISE SDN BHD	969,574	0.69

THIRTY (30) LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name	No. of Shares Held #	% #
24.	CHIANG YOK LENG	953,700	0.68
25.	RHB CAPITAL NOMINEES (ASING) SDN BHD *Rosalind Wong Mei Wai (T-071582)*	899,800	0.64
26.	HSBC NOMINEES (ASING) SDN BHD *Coutts Sg For Jubilee Asset Limited*	789,000	0.56
27.	LIE TJIE MOH @ LEE CHEE HIONG	780,900	0.56
28.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account For Lim Nyuk Sang @ Freddy Lim*	705,329	0.50
29.	FOO SUM MOOI	705,326	0.50
30.	JOHAN ENTERPRISE SDN BHD	668,000	0.48

Note:-

Excluding a total of 13,008,000 shares bought-back by the Company and retained as treasury shares as per Record of Depositors as at 3 August 2012.

LIST OF PROPERTIES

Registered Owner and address	Land Area (per title deed)	Description	Tenure	Age of Building (years)	Net Book Value as at 31 March 2012 (RM'000)	Date of Acquisition
Kalabakan Plywood Sdn Bhd CL 105464766 Sungai Imam, Pasir Putih District of Tawau	32.73 acres	Plywood factory, warehouse, office and auxiliary buildings	999 years leasehold (expiry 02.09.2923)	22	5,471	21.06.1996
Kalabakan Wood Products Sdn Bhd CL 105463956 Sungai Imam, Pasir Putih District of Tawau	29.57 acres	Factory building	99 years leasehold (expiry 31.12.2088)	15	7,118	21.06.1996
Korsa Plywood Sdn Bhd CL 105421814 Sungai Imam, Pasir Putih District of Tawau	46.38 acres	Industrial land and building	99 years leasehold (expiry 31.12.2076)	17	9,105	21.06.1996
Syarikat Tekala Sdn Bhd TL 077552035 (Parent title) Lot 2, Lorong Indah Jaya 29 Taman Indah Jaya Jalan Lintas Selatan District of Sandakan	3,252.63m^2	Office building and related infrastructure	99 years leasehold of parent title (expiring 31.12.2081)	2	4,598	06.08.2009

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are timber processing, vessel chartering services and investment holding.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
(Loss)/profit net of tax	(58,636,632)	1,653,144
(Loss)/profit attributable to:		
Owner of the Company	(36,413,886)	1,653,144
Non-controlling interests	(22,222,746)	-
	(58,636,632)	1,653,144

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effect arising from the impairment loss on vessel resulting in an increase in the Group's loss for the year by RM57,617,831.

DIVIDEND

The amount of dividend paid by the Company since 31 March 2011 was as follows:

	RM
In respect of the financial year ended 31 March 2011 as reported in the directors' report of that year:	
Final tax exempt dividend of 2% on 140,469,300 ordinary shares (netted off 12,514,000 treasury shares), declared on 28 September 2011 and paid on 28 October 2011	2,809,386

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Seri Panglima Quek Chiow Yong
Chan Saik Chuen
Seah Tee Lean
Lim Ted Hing
Fong Kin Wui
Voon Sui Liong @ Paul Voon
Datuk Eric Usip Juin
Tan Kung Ming

Datuk Seri Panglima Quek Chiow Yong, Chan Saik Chuen and Seah Tee Lean retire in accordance with Section 129 of the Companies Act, 1965 and the board recommends them for re-appointment to hold office until the conclusion of the next Annual General Meeting of the Company.

In accordance with Article 103 of the Company's Articles of Association, Lim Ted Hing and Voon Sui Liong @ Paul Voon retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
Name of director	**1.4.2011**	**Acquired**	**Sold**	**31.3.2012**
Datuk Seri Panglima Quek Chiow Yong				
Indirect shareholding#	23,347,479	2,869,545	(17,723,600)	8,493,424
Deemed interest*	419,489	-	-	419,489
Chan Saik Chuen				
Indirect shareholding#	24,529,859	2,700,738	(17,723,600)	9,506,997
Deemed interest*	38,500	-	-	38,500
Seah Tee Lean				
Direct shareholding	4,285,140	-	-	4,285,140
Indirect shareholding#	2,353,391	2,025,553	-	4,378,944
Deemed interest*	1,980,900	-	-	1,980,900
Lim Ted Hing				
Direct shareholding	1,711,100	-	-	1,711,100

DIRECTORS' BENEFITS (cont'd)

	Number of ordinary shares of RM1 each			
Name of director	**1.4.2011**	**Acquired**	**Sold**	**31.3.2012**
Fong Kin Wui				
Direct shareholding	1,695,794	-	-	1,695,794
Indirect shareholding#	4,262,200	2,380,229	(5,672,855)	969,574

Held through another body corporate
* Held by spouse and/or children

TREASURY SHARES

During the financial year, the Company repurchased 837,000 of its issued ordinary shares from the open market at an average price of RM0.55 per share. The total consideration paid for the repurchase including transaction costs was RM459,435. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act,1965.

As at 31 March 2012, the Company held as treasury shares a total of 13,003,000 of its 152,983,300 issued ordinary shares. Such treasury shares are held at a carrying amount of RM9,384,444 and further relevant details are disclosed in Note 26 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company's ESOS for eligible directors and employees of the Company and its subsidiary companies was approved by the shareholders at the Extraordinary General Meeting held on 28 September 2011. The ESOS became effective on 14 February 2012 when the last of the requisite approvals was obtained and is valid for a period of five (5) years expiring on 13 February 2017.

The Company has yet to grant options under the ESOS to eligible directors and employees of the Company and its subsidiary companies at the reporting date.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (cont'd)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

Details of significant event is disclosed in Note 17 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 July 2012.

Seah Tee Lean **Lim Ted Hing**

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Seah Tee Lean and Lim Ted Hing, being two of the directors of Tekala Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 94 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 on page 95 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 July 2012.

Seah Tee Lean **Lim Ted Hing**

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lim Ted Hing, being the director primarily responsible for the financial management of Tekala Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 95 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Lim Ted Hing
at Sandakan in the State of Sabah
on 27 July 2012

Lim Ted Hing

Before me,

INDEPENDENT AUDITORS' REPORT

To the members of Tekala Corporation Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tekala Corporation Berhad, which comprise Statements of financial position as at 31 March 2012 of the Group and of the Company, and the Statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 94.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act

OTHER MATTERS

The supplementary information set out in Note 38 on page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berahd.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Ket Vui, Dusun
2944/01/13(J)
Chartered Accountant

Sandakan, Malaysia
27 July 2012

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	4	105,948,549	130,943,984	2,400,958	4,801,916
Cost of sales	5	(85,488,519)	(106,042,130)	-	-
Gross profit		20,460,030	24,901,854	2,400,958	4,801,916
Other items of income					
Interest income	6	428,194	728,245	4,903	23,729
Dividend income	7	22,705	183,860	-	-
Other income	8	6,213,302	5,904,736	-	2,088,218
Other items of expense					
Distribution costs		(575,070)	(1,030,127)	-	-
Administrative expenses		(12,756,769)	(12,080,788)	(652,717)	(526,509)
Finance costs	9	(3,709,825)	(4,814,066)	-	-
Other expenses	10	(68,628,937)	(1,039,413)	(100,000)	-
Share of results of an associate		-	(59,407,640)	-	-
(Loss)/Profit before tax	11	(58,546,370)	(46,653,339)	1,653,144	6,387,354
Income tax expense	14	(90,262)	(112,807)	-	-
(Loss)/Profit, net of tax representing total comprehensive income for the year		(58,636,632)	(46,766,146)	1,653,144	6,387,354
(Loss)/Profit attributable to:					
Owners of the Company		(36,413,886)	(53,508,379)	1,653,144	6,387,354
Non-controlling interests		(22,222,746)	6,742,233	-	-
		(58,636,632)	(46,766,146)	1,653,144	6,387,354
Total comprehensive income attributable to:					
Owners of the Company		(36,413,886)	(53,508,379)	1,653,144	6,387,354
Non-controlling interests		(22,222,746)	6,742,233	-	-
		(58,636,632)	(46,766,146)	1,653,144	6,387,354
Loss per share attributable to owners of the Company (sen per share):					
Basic/diluted	15	(25.93)	(37.76)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM (Restated)
Assets					
Non-current assets					
Property, plant and equipment	16	115,247,008	180,078,439	-	-
Investments in subsidiaries	17	-	-	165,086,953	152,089,937
Investment in an associate	18	-	-	-	-
Investment securities	19	125,000	125,000	-	-
		115,372,008	180,203,439	165,086,953	152,089,937
Current assets					
Inventories	20	20,671,190	18,973,132	-	-
Trade and other receivables	21	10,869,036	5,943,297	9,504,228	23,716,784
Prepayments		471,505	527,508	15,000	15,000
Tax refundable		201,890	807,826	22,200	33,000
Cash and bank balances	22	10,542,440	34,499,490	49,387	389,678
		42,756,061	60,751,253	9,590,815	24,154,462
Total assets		158,128,069	240,954,692	174,677,768	176,244,399
Equity and liabilities					
Current liabilities					
Borrowings	23	22,325,305	16,775,590	-	-
Trade and other payables	24	8,623,324	5,538,532	206,046	157,000
		30,948,629	22,314,122	206,046	157,000
Net current assets		11,807,432	38,437,131	9,384,769	23,997,462
Non-current liabilities					
Borrowings	23	25,484,382	41,938,974	-	-
Deferred tax liabilities	25	498,595	498,595	-	-
		25,982,977	42,437,569	-	-
Total liabilities		56,931,606	64,751,691	206,046	157,000
Net assets		101,196,463	176,203,001	174,471,722	176,087,399

STATEMENTS OF FINANCIAL POSITION (cont'd)

As at 31 March 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Equity attributable to owners of the Company					
Share capital	26	152,983,300	152,983,300	152,983,300	152,983,300
Share premium	26	16,548,724	16,548,724	16,548,724	16,548,724
Treasury shares	26	(9,384,444)	(8,925,009)	(9,384,444)	(8,925,009)
(Accumulated losses)/ retained earnings	28	(83,525,581)	(44,302,309)	14,324,142	15,480,384
Other reserves	29	24,574,464	23,279,684	-	-
		101,196,463	139,584,390	174,471,722	176,087,399
Non-controlling interests		-	36,618,611	-	-
Total equity		101,196,463	176,203,001	174,471,722	176,087,399
Total equity and liabilities		158,128,069	240,954,692	174,677,768	176,244,399

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2012

	Note	Equity, total RM	Equity attributable to owners of the Company total RM	Share capital RM	Share premium RM	Treasury shares RM	Accumulated losses RM	Other reserves RM	Asset revaluation reserve RM	Other Reserve RM	Foreign currency translation reserve RM	Non-controlling interests RM
			← Attributable to owners of the Company	Non-distributable			Distributable		Non-distributable →			
2012												
Opening balance at 1 April 2011		176,203,001	139,584,390	152,983,300	16,548,724	(8,925,009)	(44,302,309)	23,279,684	23,054,460	-	225,224	36,618,611
Total comprehensive income		(58,636,632)	(36,413,886)	-	-	-	(36,413,886)	-	-	-	-	(22,222,746)
Transactions with owners												
Arising from acquisition of non-controlling interest		(13,101,085)	1,294,780	-	-	-	-	1,294,780	-	1,294,780	-	(14,395,865)
Purchase of treasury shares:												
- Consideration	26	(456,315)	(456,315)	-	-	(456,315)	-	-	-	-	-	-
- Transaction costs	26	(3,120)	(3,120)	-	-	(3,120)	-	-	-	-	-	-
Dividend	30	(2,809,386)	(2,809,386)	-	-	-	(2,809,386)	-	-	-	-	-
Total transactions with owners		(16,369,906)	(1,974,041)	-	-	(459,435)	(2,809,386)	1,294,780	-	1,294,780	-	(14,395,865)
Closing balance at 31 March 2012		101,196,463	101,196,463	152,983,300	16,548,724	(9,384,444)	(83,525,581)	24,574,464	23,054,460	1,294,780	225,224	-

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont'd)

For the financial year ended 31 March 2012

	Note	Equity, total RM	Equity attributable to owners of the Company total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings/ (loss) RM	Other reserves RM	Asset revaluation reserve RM	Foreign currency translation reserve RM	Non-controlling interests RM
			← Attributable to owners of the Company							→	
				Non-distributable			Distributable	Non-distributable			
2011											
Opening balance at 1 April 2010		230,039,942	200,048,440	152,983,300	16,548,724	(7,522,770)	14,759,502	23,279,684	23,054,460	225,224	29,991,502
Total comprehensive income		(46,766,146)	(53,508,379)	-	-	-	(53,508,379)	-	-	-	6,742,233
Transactions with owners											
Pursuant to subscription of additional shares in a subsidiary		-	115,124	-	-	-	115,124	-	-	-	(115,124)
Purchase of treasury shares:											
- Consideration	26	(1,391,407)	(1,391,407)	-	-	(1,391,407)	-	-	-	-	-
- Transaction costs	26	(10,832)	(10,832)	-	-	(10,832)	-	-	-	-	-
Dividend	30	(5,668,556)	(5,668,556)	-	-	-	(5,668,556)	-	-	-	-
Total transactions with owners		(7,070,795)	(6,955,671)	-	-	(1,402,239)	(5,553,432)	-	-	-	(115,124)
Closing balance at 31 March 2011		176,203,001	139,584,390	152,983,300	16,548,724	(8,925,009)	(44,302,309)	23,279,684	23,054,460	225,224	36,618,611

COMPANY STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2012

	Note	Equity, total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM
			← Attributable to owners of the Company →			
			Non-distributable			Distributable
2012						
Opening balance at 1 April 2011		176,087,399	152,983,300	16,548,724	(8,925,009)	15,480,384
Total comprehensive income		1,653,144	-	-	-	1,653,144
Transactions with owners						
Purchase of treasury shares:						
- Consideration		(456,315)	-	-	(456,315)	-
- Transaction costs		(3,120)	-	-	(3,120)	-
Dividend	30	(2,809,386)	-	-	-	(2,809,386)
Total transactions with owners		(3,268,821)	-	-	(459,435)	(2,809,386)
Closing balance at 31 March 2012		174,471,722	152,983,300	16,548,724	(9,384,444)	14,324,142

COMPANY STATEMENTS OF CHANGES IN EQUITY (cont'd)

For the financial year ended 31 March 2012

	Note	Equity, total RM	← Attributable to owners of the Company → Non-distributable Share capital RM	Share premium RM	Treasury shares RM	Distributable Retained earnings RM
2011						
Opening balance at 1 April 2010		176,770,840	152,983,300	16,548,724	(7,522,770)	14,761,586
Total comprehensive income		6,387,354	-	-	-	6,387,354
Transactions with owners						
Purchase of treasury shares:						
- Consideration		(1,391,407)	-	-	(1,391,407)	-
- Transaction costs		(10,832)	-	-	(10,832)	-
Dividend	30	(5,668,556)	-	-	-	(5,668,556)
Total transactions with owners		(7,070,795)	-	-	(1,402,239)	(5,668,556)
Closing balance at 31 March 2011		176,087,399	152,983,300	16,548,724	(8,925,009)	15,480,384

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Operating activities					
(Loss)/Profit before tax		(58,546,370)	(46,653,339)	1,653,144	6,387,354
Adjustments for:					
Depreciation of property, plant and equipment	16	7,402,377	9,528,091	-	-
Dividend income	7	(22,705)	(183,860)	-	-
Equipment scrapped	16	563	2,050	-	-
Finance costs	9	3,709,825	4,814,066	-	-
Gain on disposal of plant and equipment	8	(134,015)	(66,443)	-	-
Gain on disposal of short-term investment		(33,073)	(17,117)	-	-
Gain on members' voluntary liquidation of subsidiaries		-	-	-	(2,088,218)
Impairment loss on trade receivables	10	9,823,835	-	-	-
Impairment loss on vessel	10	57,617,831	-	-	-
Interest income	6	(428,194)	(728,245)	(4,903)	(23,729)
Net unrealised foreign exchange loss/(gain)		538,764	(4,293,123)	-	-
Provision for diminution in value of investment in a subsidiary		-	-	100,000	-
Recovery of debts previously impaired		(5,866,306)	-	-	-
Share of result of an associate		-	59,407,640	-	-
Total adjustments		72,608,902	68,463,059	95,097	(2,111,947)
Operating cash flows before changes in working capital		14,062,532	21,809,720	1,748,241	4,275,407
Changes in working capital					
(Increase)/decrease in inventories		(1,698,058)	2,749,441	-	-
(Increase)/decrease in receivables		(8,796,319)	(836,939)	89	3,247
(Decrease)/increase in payables		(853,509)	(5,221,161)	49,046	42,458
Total changes in working capital		(11,347,886)	(3,308,659)	49,135	45,705
Cash flows from operations		2,714,646	18,501,061	1,797,376	4,321,112
Income tax refunded		749,874	1,027,402	10,800	34,940
Income tax paid		(234,200)	(40,000)	-	-
Net cash flows from/(used in) operating activities		3,230,320	19,488,463	1,808,176	4,356,052

STATEMENTS OF CASH FLOWS (cont'd)

For the financial year ended 31 March 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Investing activities					
Dividend received	7	22,705	183,860	-	-
Interest received		426,551	712,693	4,903	23,640
Part payment for acquisition of non-controlling interest		(9,162,785)	-	-	-
Purchase of property, plant and equipment	16	(192,172)	(1,295,353)	-	-
Proceeds from disposal of property, plant and equipment		136,850	116,600	-	-
Capital distribution from members' voluntary winding up of subsidiaries		-	-	-	7,118,362
Net cash flows (used in)/from investing activities		(8,768,851)	(282,200)	4,903	7,142,002
Financing activities					
Finance costs paid	9	(3,709,825)	(4,814,066)	-	-
Dividend paid	30	(2,809,386)	(5,668,556)	(2,809,386)	(5,668,556)
Proceeds from borrowings		5,335,717	-	-	-
Repayment of borrowings		(16,775,590)	(22,681,824)	-	-
Purchase of treasury shares	26	(459,435)	(1,402,239)	(459,435)	(1,402,239)
Net change in accounts with subsidiaries		-	-	1,115,451	(9,238,950)
Net cash flows (used in)/from financing activities		(18,418,519)	(34,566,685)	(2,153,370)	(16,309,745)
Net decrease in cash and cash equivalents		(23,957,050)	(15,360,422)	(340,291)	(4,811,691)
Cash and cash equivalents at beginning of year		34,499,490	49,859,912	389,678	5,201,369
Cash and cash equivalents at end of year	22	10,542,440	34,499,490	49,387	389,678

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place at which business is carried out is located at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are timber processing, vessel chartering services and investment holding. There have been no other significant changes in the nature of the principal activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group and the Company have adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
FRS 3: Business Combinations	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 March 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2013.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 28. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2.6 Foreign currency

a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Long term leasehold land is amortised over the remaining lease term which range from 70 years to 917 years.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Vessel	30
Buildings	20
Plant, machinery and heavy equipment	5 - 10
Motor vehicles	5
Furniture, fittings and equipment	5 - 10

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Intangible assets (cont'd)

Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2.9 Land use rights

Land use rights, which were described as land lease prepayments in the previous financial year, are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Associates (cont'd)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Financial assets (cont'd)

b) Loans and receivables (cont'd)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Impairment of financial assets (cont'd)

c) Available-for-sale financial assets (cont'd)

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost includes the purchase price of inventories acquired and other attributable costs in bringing the inventories to their present location and condition.

Cost of spare parts and consumables is computed using the weighted average method.

Cost of work-in-progress and finished goods for wood products are computed using the weighted average method. Cost includes direct materials, direct labour, direct overheads and variable production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Financial liabilities (cont'd)

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.20 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.21 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable:

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Vessel chartering income

Vessel chartering income is recognised when services are rendered.

c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.23 Income taxes

a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Income taxes (cont'd)

b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Useful lives of plant and equipment

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery other than vessel to be within 5 to 10 years and vessel to be within 30 years. These are common life expectancies applied in the timber and marine vessel services industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 16.

b) Impairment of loan and receivable

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivable at the reporting date is disclosed in Note 21.

3. Significant accounting judgements and estimates (cont'd)

c) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reportingdate. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

During the current financial year, the Group has recognised impairment losses in respect of a subsidiary's property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the cash-generating units ("CGU") to which the property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group as at 31 March 2012 were RM115,247,008 (2011: RM180,078,439). Further details of the impairment losses recognised for property, plant and equipment are disclosed in Note 16.

d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying values of deferred tax assets of the Group at 31 March 2012 are disclosed in Note 25. The recognised tax losses and unabsorbed capital allowances of the Group was RM582,338 (2011: RM1,125,287) and the unrecognised tax losses and unabsorbed capital allowances of the Group was RM28,235,991 (2011: RM26,035,649).

4. REVENUE

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Revenue from timber processing	83,766,572	108,069,806	-	-
Vessel chartering income	22,181,977	22,874,178	-	-
Tax exempt dividends from an unquoted subsidiary	-	-	2,400,958	4,801,916
	105,948,549	130,943,984	2,400,958	4,801,916

5. COST OF SALES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of inventories sold	74,576,973	100,856,422	-	-
Vessel operating expenses	10,911,546	5,185,708	-	-
	85,488,519	106,042,130	-	-

6. INTEREST INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest on short-term deposits	428,194	728,245	4,903	23,729

7. DIVIDEND INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Dividend income from:				
- available-for-sale financial assets:				
- unquoted equity instruments	-	125,000	-	-
- Short-term investments	22,705	58,860	-	-
	22,705	183,860	-	-

8. OTHER INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Foreign exchange gain	-	5,639,236	-	-
Gain on disposal of plant and equipment	134,015	66,443	-	-
Gain on members' voluntary winding up of subsidiaries	-	-	-	2,088,218
Miscellaneous income	206,981	193,057	-	-
Rental income	6,000	6,000	-	-
Recovery of debts previously impaired	5,866,306	-	-	-
	6,213,302	5,904,736	-	2,088,218

9. FINANCE COSTS

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest expense on borrowings	3,709,825	4,814,066	-	-
	3,709,825	4,814,066	-	-

10. OTHER EXPENSES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Impairment loss on vessel	57,617,831	-	-	-
Impairment loss on trade receivables	9,823,835	-	-	-
Others	1,187,271	1,039,413	100,000	-
	68,628,937	1,039,413	100,000	-

11. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Auditors'remuneration:				
- statutory audits	70,200	70,200	25,000	25,000
- other services	21,350	20,900	1,800	6,800
Depreciation of property, plant and equipment (Note 16)	7,402,377	9,528,091	-	-
Employee benefits expense (Note 12)	17,251,543	18,255,573	40,000	40,000
Equipment scrapped	562	2,050	-	-
Non-executive directors' remuneration (Note 13)	862,415	826,465	212,915	211,465
Provision for diminution in value of investment in a subsidiary	-	-	100,000	-
Rental of premises	120,000	120,000	-	-
Unrealised foreign exchange loss	538,764	-	-	-

12. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Salaries, wages and allowances	16,015,321	16,959,663	40,000	40,000
Social security contributions	59,822	62,307	-	-
Contributions to define contribution plan	1,048,296	1,045,340	-	-
Benefits-in-kind	128,104	188,263	-	-
	17,251,543	18,255,573	40,000	40,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM5,594,875 (2011: RM5,311,280) and RM40,000 (2011: RM40,000) respectively.

13. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Executive directors of the Company:				
- Salaries and bonus	3,253,000	3,093,000	-	-
- Fees	40,000	40,000	40,000	40,000
- Defined contribution plan	290,115	275,220	-	-
	3,583,115	3,408,220	40,000	40,000
Executive directors of subsidiaries:				
- Salaries and bonus	1,865,000	1,764,500	-	-
- Defined contribution plan	146,140	137,940	-	-
- Social security contribution	620	620	-	-
	2,011,760	1,903,060	-	-
Total executive directors' remuneration (excluding benefits-in-kind) (Note 12)	5,594,875	5,311,280	40,000	40,000
Benefits-in-kind	225,474	183,661	-	-
Total executive directors' remuneration (including benefits-in-kind)	5,820,349	5,494,941	40,000	40,000
Non-Executive:				
- Fees	40,000	40,000	40,000	40,000
- Salaries and bonus	803,500	769,000	154,000	154,000
- Defined contribution plan	17,410	15,960	17,410	15,960
- Social security contributions	1,505	1,505	1,505	1,505
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 11)	862,415	826,465	212,915	211,465
Benefits-in-kind	20,106	25,594	-	-
Total non-executive directors' remuneration	882,521	852,059	212,915	211,465
Total directors' remuneration	6,702,870	6,347,000	252,915	251,465

13. DIRECTORS' REMUNERATION (cont'd)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2012	**2011**
Executive directors:		
RM450,001-500,000	1	1
RM750,001-800,000	-	1
RM800,001-850,000	1	1
RM850,001-900,000	1	-
RM1,400,001-1,450,000	-	1
RM1,450,001-1,500,000	1	-
Non-Executive directors:		
RM50,001-100,000	3	3
RM650,001-700,000	1	1

14. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2012 and 2011 are:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	89,215	140,715	-	-
- Underprovision in prior years	1,047	-	-	-
	90,262	140,715	-	-
Deferred tax (Note 25):				
- Reversal of temporary differences	-	-	-	-
- Overprovision in prior years	-	(27,908)	-	-
	-	(27,908)	-	-
Income tax expense recognised in profit or loss	90,262	112,807	-	-

14. INCOME TAX EXPENSE (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 March 2012 and 2011 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Accounting (loss)/profit before tax	(58,546,370)	(46,653,339)	1,653,144	6,387,354
Tax expense at Malaysian statutory tax rate of 25% (2011: 25%)	(14,636,592)	(11,663,335)	413,286	1,596,839
Income not subject to tax	(30,194)	(27,960)	(600,240)	(1,722,534)
Loss/(profit) of a subsidiary in Labuan not subject to tax	13,739,228	(4,571,553)	-	-
Expenses not deductible for tax purposes	886,921	560,635	186,954	125,695
Share of results of an associate	-	14,851,910	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	129,852	991,018	-	-
Underprovision of tax expense in prior years	1,047	-	-	-
Overprovision of deferred tax in prior years	-	(27,908)	-	-
Income tax expense recognised in profit or loss	90,262	112,807	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

	Group	
	2012 RM	2011 RM
Tax savings during the financial year arising from utilisation of:		
- current year tax losses	-	56,805
- current year capital allowances	-	201,252
Unutilised tax losses carried forward	23,594,360	22,574,476
Unabsorbed capital and forest allowances carried forward	5,223,969	4,586,460

15. LOSS PER SHARE

Basic/diluted

Basic/diluted loss per share amount is calculated by dividing the loss for the year, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

The following reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 March:

	Group	
	2012	2011
Loss net of tax attributable to owners of the Company (RM)	(36,413,886)	(53,508,379)
Weighted average number of ordinary shares in issue	140,424,280	141,699,284
Basic/diluted loss per share for the year (sen)	(25.93)	(37.76)

The Company has no potential ordinary shares in issue as at end of the financial years and therefore, basic and diluted loss per share are equal.

16. PROPERTY, PLANT AND EQUIPMENT

	Vessel RM	Long leasehold land RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Group								
Cost								
At 1 April 2010	155,571,250	20,046,249	23,643,594	66,214,365	2,869,230	2,213,837	4,311,155	274,869,680
Additions	-	2,905	253,401	74,480	595,078	179,134	209,708	1,314,706
Disposals	-	-	-	-	(185,000)	(12,608)	-	(197,608)
Scrapped	-	-	-	-	-	(392,852)	-	(392,852)
Reclassifications	-	-	4,412,453	-	-	108,410	(4,520,863)	-
Adjustments	-	-	(500)	-	-	(18,853)	-	(19,353)
At 31 March 2011 and 1 April 2011	155,571,250	20,049,154	28,308,948	66,288,845	3,279,308	2,077,068	-	275,574,573
Additions	-	-	155,507	2,580	-	34,085	-	192,172
Disposals	-	-	-	-	(490,425)	(14,380)	-	(504,805)
Scrapped	-	-	-	(11,589)	-	(118,649)	-	(130,238)
At 31 March 2012	155,571,250	20,049,154	28,464,455	66,279,836	2,788,883	1,978,124	-	275,131,702
Group								
Accumulated depreciation and impairment loss								
At 1 April 2010	5,617,851	889,398	18,629,538	58,058,968	1,984,307	1,376,230	-	86,556,292
Depreciation charge for the year	5,185,708	225,666	1,388,871	2,252,868	268,797	206,181	-	9,528,091
Disposals	-	-	-	-	(184,999)	(12,452)	-	(197,451)
Scrapped	-	-	-	-	-	(390,802)	-	(390,802)

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Vessel RM	Long leasehold land RM	Buildings RM	Plant, machinery and heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Building under construction RM	Total RM
Accumulated depreciation and impairment loss (cont'd)								
At 31 March 2011 and 1 April 2011	10,803,559	1,115,064	20,018,409	60,311,836	2,068,105	1,179,157	-	95,496,130
Depreciation charge for the year	4,393,151	225,666	862,245	1,375,239	315,871	230,205	-	7,402,377
Disposals	-	-	-	-	(490,423)	(11,547)	-	(501,970)
Scrapped	-	-	-	(11,457)	-	(118,217)	-	(129,674)
Impairment loss	57,617,831	-	-	-	-	-	-	57,617,831
At 31 March 2012	72,814,541	1,340,730	20,880,654	61,675,618	1,893,553	1,279,598	-	159,884,694
Net carrying amount								
At 31 March 2011	144,767,691	18,934,086	8,290,539	5,977,009	1,211,203	897,911	-	180,078,439
At 31 March 2012	82,756,709	18,708,424	7,583,801	4,604,218	895,330	698,526	-	115,247,008

Asset pledged as security

The vessel of the Group has been pledged as security for the Group's borrowing (Note 23).

Impairment of assets

During the financial year, a valuation on the vessel belonging to a subsidiary was carried out by an independent professional firm to determine the net assets of the subsidiary for the purpose of acquiring the remaining 49% equity interest not already owned by the Group. Arising from that, the Group carried out an assessment for impairment on the vessel. It has resulted in an impairment loss of RM57,617,831, representing the write-down of the vessel to its recoverable amount in "Other expenses" line item of the statement of comprehensive income for the financial year ended 31 March 2012. The recoverable amount of the vessel was based on its estimated fair value less cost to sell.

17. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM	Company 2011 RM (Restated)
Unquoted shares at cost	85,054,749	90,084,893
Amounts due from subsidiaries	107,861,023	94,764,007
	192,915,772	184,848,900
Less: Members' voluntary winding up of subsidiaries	-	5,030,144
	192,915,772	179,818,756
Less: Provision for diminution in value		
At beginning of year	27,728,819	27,728,819
Current year	100,000	-
At end of year	27,828,819	27,728,819
	165,086,953	152,089,937

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of Subsidiaries	Principal Activities	Proportion (%) of ownership interest 2012	2011
Syarikat Tekala Sdn. Bhd.	Provision of corporate services	100	100
Kalabakan Plywood Sdn. Bhd.	Timber processing	100	100
Marimba Sdn. Bhd.	Investment holding	100	100
Gerak Armada Sdn. Bhd.	Investment holding	100	100
Subsidiaries of Kalabakan Plywood Sdn. Bhd.			
Kalabakan Wood Products Sdn. Bhd.	Provision of storage services	100	100
Korsa Plywood. Sdn. Bhd.	Downstream timber processing (Not yet commenced operation)	100	100
Subsidiaries of Marimba Sdn. Bhd.			
Hartawan Ekuiti Sdn. Bhd.	Ceased operation	100	100
Subsidiary of Gerak Armada Sdn. Bhd.			
Offshore Constructor (Labuan) Ltd.	Vessel chartering	100	63.25

17. INVESTMENTS IN SUBSIDIARIES (cont'd)

Acquisition of non-controlling interests

On 14 November 2011, the Group's subsidiary company, Gerak Armada Sdn. Bhd., acquired an additional 49% equity interest in Offshore Constructor (Labuan) Ltd. (OCL) from its non-controlling interests for a total cash consideration of RM13,101,085. As a result of this acquisition, OCL became a wholly-owned subsidiary of Gerak Armada Sdn. Bhd.. On the date of acquisition, the carrying value of the additional interest acquired was RM14,395,865. The difference between the consideration and the book value of the interest acquired of RM1,294,780 is reflected in equity as discount on acquisition of non-controlling interests.

18. INVESTMENT IN AN ASSOCIATE

	Group	
	2012 RM	2011 RM
Balance at beginning of year	-	59,407,640
Share of loss	-	(59,407,640)
Balance at end of year	-	-

Details of the associate whose financial year end is 31 December held by the subsidiary, Gerak Armada Sdn. Bhd. which is incorporated in Malaysia, is as follows:

Name of Subsidiaries	Principal Activities	Proportion (%) of owner shipinterest 2012	2011
Offshoreworks Holdings Sdn. Bhd.	Company's activity is investment holding while the Group is an oil and gas services provider	25	25

The Group has ceased recognising losses relating to its associate, Offshoreworks Holdings Sdn. Bhd. since the financial year ended 31 March 2011, where its share of losses exceeds the Group's interest in this associate which comprises unquoted shares at a cost of RM16,016,870. The Group has no obligation in respect of these losses.

The associate is currently in the process of undergoing a financial restructuring under Section 176 of the CompaniesAct, 1965 and the Group's equity interest of 25% in Offshoreworks Holdings Sdn. Bhd. is expected to be diluted to an ordinary investment in the event it successfully undergoes a financial restructuring exercise in due course.

18. INVESTMENT IN AN ASSOCIATE (cont'd)

The summarised financial information of the associate is as follows:

	2012 RM	2011 RM
Assets and liabilities		
Total assets	539,357,240	604,783,549
Total liabilities	(826,609,311)	(711,429,110)
Results		
Revenue	449,806,228	235,014,019
Loss for the year	(180,606,509)	(293,157,069)

19. INVESTMENT SECURITIES

	Group	
	2012 RM	2011 RM
At cost		
Available-for-sale financial assets:		
- Unquoted equity instrument, at cost	325,000	325,000
Less: Impairment loss	(200,000)	(200,000)
	125,000	125,000

Impairment loss

As at 31 March 2012, the Group has recognised an impairment loss of RM200,000 (2011: RM200,000) for an unquoted equity instrument as the fair value of this investment was below its costs.

20. INVENTORIES

	Group	
	2012	2011
	RM	RM
Cost		
Finished goods	-	10,001,564
Production supplies	2,381,264	2,477,309
Raw materials	1,739,049	371,291
Stock-in-transit	-	870,311
Work-in-progress	4,973,672	3,990,555
	9,093,985	17,711,030
Net realisable value		
Finished goods	10,276,264	1,181,465
Work-in-progress	1,300,941	80,637
	11,577,205	1,262,102
	20,671,190	18,973,132

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM (Restated)
Trade receivables				
Third parties	8,287,023	1,857,393	-	-
Subsidiary of an associate	1,847,882	3,761,035	-	-
	10,134,905	5,618,428	-	-
Less:Allowance for impairment				
Third parties	(3,609,647)	(1,500,000)	-	-
Subsidiary of an associate	(1,847,882)	-	-	-
	4,677,376	4,118,428	-	-
Other receivables				
Amounts due from subsidiaries	-	-	9,497,728	23,710,195
Deposits	5,762,885	1,596,908	6,500	6,500
Sundry receivables	428,775	227,961	-	89
	6,191,660	1,824,869	9,504,228	23,716,784

21. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM (Restated)
Total trade and other receivables	10,869,036	5,943,297	9,504,228	23,716,784
Add: Cash and bank balances (Note 22)	10,542,440	34,499,490	49,387	389,678
Total loans and receivables	21,411,476	40,442,787	9,553,615	24,106,462

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 day to 60 day (2011: 30 to 60 day) terms. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012 RM	2011 RM
Neither past due nor impaired	4,677,376	3,761,035
31 to 60 days past due not impaired	-	357,393
	4,677,376	4,118,428
Impaired	5,457,529	1,500,000
	10,134,905	5,618,428

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 79% (2011: 91%) of the Group's trade receivables arise from customers with more than five years (2011: two years) of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has no trade receivables (2011: RM357,393, past due but not impaired) that are past due at the reporting date but not impaired.

21. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment is as follows:

	Group Individually impaired	
	2012 RM	2011 RM
Trade receivables-nominal amounts	5,457,529	1,500,000
Less: Allowance for impairment	(5,457,529)	(1,500,000)
	-	-

The movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012 RM	2011 RM
At beginning of year	1,500,000	1,500,000
Charge for the year	3,957,529	-
At end of year	5,457,529	1,500,000

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not recoverable.

(b) Deposits

Included in deposits is an amount of RM5,708,200 (2011: RM1,537,573) maintained with the bank over the tenure of the term loan and shall be utilised for payment of interest due on the term loan.

22. CASH AND BANK BALANCES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash on hand and at banks	2,665,426	846,534	49,387	89,678
Short term:				
- Deposits with licensed banks	6,850,000	28,390,000	-	300,000
- Investments with a licensed bank	1,027,014	5,262,956	-	-
Total cash and cash equivalents	10,542,440	34,499,490	49,387	389,678

22. CASH AND BANK BALANCES (cont'd)

Short-term deposits are made for varying periods of between three days and one month depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The interest rates of deposits of the Group and of the Company for the financial year ranged from 2.00% to 3.10% (2011: 1.75% to 2.90%) and 2.60% to 3.00% (2011: 2.65% to 2.75%) per annum respectively.

23. BORROWINGS

	Group	
	2012	**2011**
	RM	**RM**
Current		
Secured:		
Bankers' acceptance	1,731,000	-
Term loans:		
- USD Effective Cost of Fund +3% loan	16,989,588	16,775,590
- 2.6% p.a. fixed rate USD loan	3,604,717	-
	22,325,305	16,775,590
Non-current		
Secured:		
USD Effective Cost of Fund +3% loan	25,484,382	41,938,974
At end of year	47,809,687	58,714,564

The remaining maturities of borrowings as at 31 March 2012 are as follows:

	Group	
	2012	**2011**
	RM	**RM**
On demand or within one year	22,325,305	16,775,590
More than 1 year and less than 2 years	16,989,588	16,775,590
More than 2 years and less than 5 years	8,494,794	25,163,384
	47,809,687	58,714,564

Bankers' acceptance

The bankers' acceptance has been fully repaid on 22 June 2012 and is secured by corporate guarantee provided by the Company.

23. BORROWINGS (cont'd)

2.6% p.a. fixed rate USD loan

This loan is denominated in United States Dollar and amounted to USD1,163,112 as at 31 March 2012 (2011: Nil) and has been fully repaid on 15 May 2012. It is secured by corporate guarantee provided by the Company.

USD Effective Cost of Fund +3% loan

This loan is denominated in United States Dollar and amounted to USD13,860,000 as at 31 March 2012 (2011:USD19,404,000). It is secured by the following:

(a) First Statutory Mortgage over the vessel of a subsidiary of the Company, Offshore Constructor (Labuan) Ltd. ("OCL") together with Deed of Covenant;

(b) Assignment of all present and future rights to receive rental, income, fees, charges and all payments under the Charter Service Agreement;

(c) Memorandum of Deposit over the Commodity Deferred Purchase Agreement of USD166,320;

(d) Assignment of all rights and benefits for all insurance in respect of the vessel of OCL in favour of the Bank as mortgagee and loss payee covering but not limited to the following:

    (i) Hull and machinery coverage;
    (ii) War risks;
    (iii) Non-cancellation clause without the prior written consent of the Bank;
    (iv) Mortgagee' interest protection;
    (v) Protection and Indemnity covering for the four (4) fourths collision liability clause entered with a Protection and Indemnity Club acceptable to the Bank.

(e) A First charge over the Non-Checking Designated Accounts;

(f) Unconditional and Irrevocable Corporate Guarantee from the Company of up to 51% of the Facility Limit, i.e. for USD14.14 million. The Corporate Guarantee is to be denominated in Malaysian Ringgit equivalent with top-up provision for fluctuation in foreign exchange rates;

(g) Unconditional and Irrevocable Personal Guarantee from a director of the associated company, Mohd Amran bin Abd Wahid for USD13.58 million. The Personal Guarantee is to be denominated in Malaysian Ringgit equivalent with top-up provision for fluctuation in foreign exchange rates; and

(h) Negative pledge over the asset of OCL.

Subsequent to year end, the Personal Guarantee mentioned in item (g) has been released by the bank and the Corporate Guarantee mentioned in item (f) is revised up to 100% of the Facility Limit, i.e. USD27.72 million following the acquisition of the remaining 49% equity interest in OCL by Gerak Armada Sdn. Bhd., a direct subsidiary of the Company.

24. TRADE AND OTHER PAYABLES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade payables				
Third parties	2,832,782	3,445,232	-	-
Other payables				
Accruals	851,586	1,106,385	107,987	105,000
Other payables	4,938,956	986,915	98,059	52,000
	5,790,542	2,093,300	206,046	157,000
	8,623,324	5,538,532	206,046	157,000

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled within the trade credit terms granted to the Group ranging from 30 days to 90 days (2011: 30 days to 90 days).

(b) Other payables

Included in other payables is an amount of RM3,938,300 (2011: Nil) which represents the balance of purchase consideration of non-controlling interests as disclosed in Note 17.

(c) Financial guarantees

The fair value of financial guarantees provided by the Company to banks to secure banking facilities granted to certain subsidiaries with nominal amount of RM50,532,030 (2011: RM47,986,226) are negligible because the probability of the financial guarantees being called upon is remote as the outstanding borrowings are adequately secured by properties, plant and equipment of the subsidiaries in which their market values upon realisation are expected to be higher than the outstanding borrowing amounts.

25. DEFERRED TAX

	As at 1 April 2010 RM	Recognised in profit or loss RM	As at 31 March 2011 RM	Recognised in profit or loss RM	As at 31 March 2012 RM
Deferred tax liabilities:					
Property, plant and equipment	732,551	47,365	779,916	(135,736)	644,180
Deferred tax assets:					
Unabsorbed capital allowances	(206,048)	(75,273)	(281,321)	135,736	(145,585)
	526,503	(27,908)	498,595	-	498,595

25. DEFERRED TAX (cont'd)

Unrecognised deferred tax assets

Due to uncertainty of recoverability, deferred tax assets have not been recognised in respect of the following items which are available for offset against future taxable profits of the respective subsidiaries in which those items arose:

	Group 2012 RM	Group 2011 RM
Unutilised tax losses	23,594,360	22,574,476
Unabsorbed capital and forest allowances	4,641,631	3,461,173
Property, plant and equipment	3,918,112	1,189,789
	32,154,103	27,225,438

The unutilised tax losses and unabsorbed capital and forest allowances of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

26. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares of RM1 each		Amount			
	Share capital (Issued and fully paid)	Treasury share	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
At 1 April 2010	152,983,300	(10,265,800)	152,983,300	16,548,724	169,532,024	(7,522,770)
Purchase of treasury shares:						
- Consideration	-	(1,900,200)	-	-	-	(1,391,407)
- Transaction costs	-	-	-	-	-	(10,832)
At 31 March 2011 and 1 April 2011	152,983,300	(12,166,000)	152,983,300	16,548,724	169,532,024	(8,925,009)
Purchase of treasury shares:						
- Consideration	-	(837,000)	-	-	-	(456,315)
- Transaction costs	-	-	-	-	-	(3,120)
At 31 March 2012	152,983,300	(13,003,000)	152,983,300	16,548,724	169,532,024	(9,384,444)

26. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (cont'd)

	Number of Ordinary Shares of RM1 Each		Amount	
	2012	2011	2012 RM	2011 RM
Authorised share capital				
At beginning and end of year	500,000,000	500,000,000	500,000,000	500,000,000

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 837,000 (2011: 1,900,200) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM459,435 (2011: RM1,402,239) comprising consideration paid amounting to RM456,315 (2011: RM1,391,407) and transaction costs of RM3,120 (2011: RM10,832) and these were presented as a component within shareholders equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

27. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company's ESOS for eligible directors and employees of the Company and its subsidiary companies was approved by the shareholders at the Extraordinary General Meeting held on 28 September 2011. The ESOS became effective on 14 February 2012 when the last of the requisite approvals was obtained and is valid for a period of five (5) years expiring on 13 February 2017.

The Company has yet to grant options under the ESOS to eligible directors and employees of the Company and its subsidiary companies at the reporting date.

28. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

28. RETAINED EARNINGS (cont'd)

As at 31 March 2012, the Company has tax exempt profits available for distribution of approximately RM41,082,521 (2011: RM43,891,907), subject to the agreement of the Inland Revenue Board.

The Company did not elect for irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 March 2012 and 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 March 2012 and 2011, the Company has sufficient credit in the 108 balance and the balance in the tax exempt income account to distribute dividends out of its entire retained earnings.

29. OTHER RESERVES

	Asset revaluation reserve RM	Foreign currency translation reserve RM	Others RM	Total RM
Group				
At 1 April 2011	23,054,460	225,224	-	23,279,684
Discount on acquisition of non-controlling interest	-	-	1,294,780	1,294,780
At 31 March 2012	23,054,460	225,224	1,294,780	24,574,464

30. DIVIDEND

	Dividend in respect of Year		Dividend recognised in Year	
	2011 RM	2010 RM	2012 RM	2011 RM
Recognised during the financial year:				
Final tax exempt dividend for 2011: 2% on 140,469,300 ordinary shares (netted off 12,514,000 treasury shares) (2 sen per ordinary share)	2,809,386	-	2,809,386	-
Final tax exempt dividend for 2010: 4% on 141,713,900 ordinary shares (netted off 11,269,400 treasury shares) (4 sen per ordinary share)	-	5,668,556	-	5,668,556
	2,809,386	5,668,556	2,809,386	5,668,556

31. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties at terms agreed between the parties during the financial year:

	2012 RM	2011 RM
Group		
Rental of premises paid to Syarikat Kretam Sdn. Bhd.,a company in which certain directors of the Company are also directors	120,000	120,000
Transactions with Offshore Construction & Engineering Sdn. Bhd., an associate's subsidiary		
Vessel chartering	17,574,464	22,874,178
Company		
Transaction with a subsidiary		
Tax exempt dividend from an unquoted subsidiary	2,400,958	4,801,916

(b) Compensation of key management personnel

	2012 RM	2011 RM
Group		
Short-term employee benefits	5,840,491	5,518,035
Defined contribution plan	475,187	465,016
	6,315,678	5,983,051

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

<u>Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value</u>

The following are classes of financial instruments whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	21
Trade and other payables	24
Borrowings (current and non-current)	23

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Determination of fair value (cont'd)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of borrowings is reasonable approximation of fair value due to the insignificant impact of discounting.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the executive committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position;
- An amount of RM50,532,030 (2011: RM47,986,226) relating to corporate guarantees provided by the Company to banks on certain subsdiaries' banking facilities.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2012		2011	
	RM	% of total	RM	% of total
By industry sectors:				
Timber processing	4,294,895	92%	357,393	9%
Oil and gas	382,481	8%	3,761,035	91%
	4,677,376	100%	4,118,428	100%

At the reporting date, 71 % (2011: Nil %) of the Group's trade receivables were due from three customers located in Malaysia.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements. At the reporting date, approximately 47% (2011: 29%) of the Group's borrowings (Note 23) will mature in less than one year based on the carrying amount reflected in the financial statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2012		
	On demand or within one year RM	One to five year RM	Total RM
Group			
Financial liabilities:			
Trade and other payables	8,623,324	-	8,623,324
Borrowings	22,325,305	25,484,382	47,809,687
Total undiscounted financial liabilities	30,948,629	25,484,382	56,433,011

	2012			2011		
	On demand or within one year RM	One to five years RM	Total RM	On demand or within one year RM	One to five years RM	Total RM
Company						
Financial liabilities:						
Other payables, excluding financial guarantees *	206,046	-	206,046	157,000	-	157,000
Total undiscounted financial liabilities	206,046	-	206,046	157,000	-	157,000

* At the reporting date, the counterparty to the financial guarantees does not have the right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its borrowings.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 0.5% lower/higher, with all other variables held constant, the Group's loss net of tax would have been approximately RM265,000 lower/higher, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in percentage for interest rate sensitivity analysis is based on the currently observable market environment.

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currency of the Group entities. The foreign currency in which these transactions are denominated is mainly United States Dollars.

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2012 and 31 March 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The calculations of the Group's and Company's gearing ratios are as follows:

		Group		Company	
	Note	2012	2011	2012	2011
		RM	RM	RM	RM
Borrowings	23	47,809,687	58,714,564	-	-
Trade and other payables	24	8,623,324	5,538,532	206,046	157,000
Less: Cash and bank balances	22	(10,542,440)	(34,499,490)	(49,387)	(389,678)
Net debt		45,890,571	29,753,606	156,659	(232,678)
Equity attributable to the owners of the Company		101,196,463	139,584,390	172,070,764	176,087,399
Total capital		101,196,463	139,584,390	172,070,764	176,087,399
Gearing ratio		31%	18%	0.1%	-

35. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. The timber processing segment is involved in the manufacture and sale of plywood.
II. The oil and gas segment is involved in vessel chartering and investment in an associate which is an oil and gas services provider.
III. The investment holding segment is involved in business investments.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following table provides an analysis of the Group's revenue, results, assets liabilities and other information by business segment.

Business Segments

	Timber processing RM	Oil and Gas RM	Investment holding RM	Others RM	Elimination RM	Notes	Consolidated RM
31 March 2012							
Revenue:							
External customers	83,766,572	22,181,977	-	-	-		105,948,549
Inter-segment	-	-	2,400,958	1,080,000	(3,480,958)	A	-
Total revenue	83,766,572	22,181,977	2,400,958	1,080,000	(3,480,958)		105,948,549
Results:							
Interest income	270,776	-	4,903	152,515	-		428,194
Depreciation and amortisation	2,625,715	4,393,151	-	451,511	(68,000)		7,402,377
Impairment loss on vessel	-	57,617,831	-	-	-		57,617,831
Impairment loss on trade receivables	-	9,823,823	-	-	-		9,823,823
Finance costs	-	3,709,825	-	-	-		3,709,825
Other non-cash expenses	(3,768)	(534,996)	-	-	-	B	(538,764)
Segment (loss)/profit	(958,242)	(54,876,911)	1,324,842	(1,735,101)	(2,300,958)	C	(58,546,370)
Assets:							
Additions to non-current assets	33,460	-	-	158,712	-	D	192,172
Segment assets	61,921,198	89,331,263	206,549	6,518,333	150,726	E	158,128,069
Segment liabilities	9,347,161	42,636,657	4,268,346	180,847	498,595	F	56,931,606

35. SEGMENTAL INFORMATION (cont'd)

Business Segments

	Timber processing RM	Oil and Gas RM	holding RM	Others RM	Adjustments/ Elimination RM	Notes	Consolidated RM
31 March 2011							
Revenue:							
External customers	108,069,806	22,874,178	-	-	-		130,943,984
Inter-segment	-	-	4,801,916	1,080,000	(5,881,916)	A	-
Total revenue	108,069,806	22,874,178	4,801,916	1,080,000	(5,881,916)		130,943,984
Results:							
Interest income	468,508	-	32,517	227,220	-		728,245
Depreciation and amortisation	3,992,553	5,185,708	-	411,162	(61,332)		9,528,091
Finance costs	-	4,814,066	-	-	-		4,814,066
Share of results of an associate	-	(59,407,640)	-	-	-		(59,407,640)
Other non-cash expenses	244	4,292,879	-	-	-	B	4,293,123
Segment profit/(loss)	(1,833,018)	(41,041,427)	6,306,037	(2,066,174)	(8,018,757)	C	(46,653,339)
Assets:							
Additions to non-current assets	768,460	-	-	576,893	(50,000)	D	1,295,353
Segment assets	75,721,672	150,136,056	459,905	13,988,397	688,662	E	240,994,692
Segment liabilities	4,974,677	58,757,145	161,000	360,274	498,595	F	64,751,691

35. SEGMENTAL INFORMATION (cont'd)

Notes **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2012 RM	2011 RM
Unrealised foreign exchange (loss)/gain	(538,764)	4,293,123

C The following items are deducted from segment profit/(loss) to arrive at "Profit/(loss) before tax" presented in the consolidated statement of comprehensive income:

	2012 RM	2011 RM
Inter-segment transactions	(2,300,958)	(4,851,915)
Gain on members' voluntary winding up of subsidiaries	-	(3,166,842)
	(2,300,958)	(8,018,757)

D Additions to non-current assets consist of:

	2012 RM	2011 RM
Property, plant and equipment	192,172	1,295,353

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Inter-segment assets	(51,164)	(119,164)
Tax refundable	201,890	807,826
	150,726	688,662

F The following item is added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Deferred tax liabilities	498,595	498,595

35. SEGMENTAL INFORMATION (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	22,181,977	22,874,178	115,372,008	180,203,439
North Asia	83,766,572	108,069,806	-	-
	105,948,549	130,943,984	115,372,008	180,203,439

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2012 RM	2011 RM
Property, plant and equipment	115,247,008	180,078,439
Other investments	125,000	125,000
	115,372,008	180,203,439

Information about major customers

Revenue from four (2011: four) major customers amount to RM101,341,035 (2011: RM122,221,431) arising from sale of plywood by the timber processing segment and vessel chartering in the oil and gas segment.

36. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts as at 31 March 2011 have been reclassified to conform with current year's presentation:

	As previously stated RM	Reclassifications RM	As restated RM
Company			
Investments in subsidiaries	57,325,930	94,764,007	152,089,937
Trade and other receivables	118,480,791	(94,764,007)	23,716,784

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the directors on 27 July 2012.

38. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 March 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Total retained profits of the Company and its subsidiaries				
- Realised	(6,046,962)	55,970,332	14,324,142	15,480,384
- Unrealised	4,781,700	4,293,123	-	-
	(1,265,262)	60,263,455	14,324,142	15,480,384
Total share of loss from associate				
- Realised	(39,296,554)	(39,296,554)	-	-
- Unrealised	-	-	-	-
	(39,296,554)	(39,296,554)	-	-
Less: Consolidation adjustments	(42,963,765)	(65,269,210)	-	-
(Accumulated losses)/Retained earnings as per financial statements	(83,525,581)	(44,302,309)	14,324,142	15,480,384

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FORM OF PROXY

TEKALA CORPORATION BERHAD
(Company No: 357125-D)

I/We, ____

of ____

being a Member/Members of the Tekala Corporation Berhad, hereby appoint ______________________

of ____

or failing him ____

of ____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Grand Ballroom, Hotel Sandakan, 4th Avenue, 90000 Sandakan, Sabah on 28 September 2012 at 11.00 a.m or any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolutions	For	Against
1	To receive and adopt Directors' Report and Audited Financial Statements.		
2	To re-elect the following Directors:- - Mr Lim Ted Hing		
3	- Mr Voon Sui Liong @ Paul Voon		
4	To re-appoint the following Directors in accordance with Section 129 of the Companies Act, 1965:- - Datuk Seri Panglima Quek Chiow Yong		
5	- Mr Chan Saik Chuen		
6	To approve Directors' Fees of RM80,000 for the year ended 31 March 2012.		
7	To re-appoint Auditors and to authorise the Directors to fix their remuneration.		
8	Authority to issue shares pursuant to the Company's Employees' Share Option Scheme.		
9	Proposed renewal of the authority for the purchase of own shares.		
10	Proposed amendment to Article 80A of the Articles of Association of the Company.		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Dated this ____________ day of ____________ 2012

No. of shares held	

____

Signature(s) of Member(s)

Notes :

a) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy need not be a member of the Company.

b) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of some officer of the corporation duly authorised in that behalf.

c) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.

d) The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Wisma Tekala, Lot 2, Lorong Indah Jaya 29, Taman Indah Jaya, Jalan Lintas Selatan, 90000 Sandakan, Sabah not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

Please fold along this line

Affix
stamp
here

The Company Secretaries
TEKALA CORPORATION BERHAD
(357125-D)
Wisma Tekala
Lot 2, Lorong Indah Jaya 29
Taman Indah Jaya
Jalan Lintas Selatan
90000 Sandakan, Sabah

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